



ADVISOR

TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL



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SERVING OVER 315,000 MEMBERS

October 2007

Billboard Ads

A few years ago, the RSA helped purchase the sixth largest outdoor advertising company, Magic Media. As part of the deal, the RSA received 55 display boards free of charge.

The billboards are in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Ohio, Oklahoma, Texas, Tennessee, and West Virginia.

Our latest report states that 1.4 million people see the boards every day. If the RSA had to pay for them, it would cost in excess of \$362,400 per year.



Amazing

By Mac McArthur, ASEA Executive Director

“... Did you know that at Fountain Correctional Facility there are 1200 inmates and only sixteen Correctional Officers on the two to ten shift when we visited in July? Or that at J.O. Davis there are 350 inmates with only two Correctional Officers on that day? As we talked to a number of Department of Human Resource workers we realized what a heavy caseload they carried in Food Stamps and in Protective Services. As we stopped to watch the Department of Transportation workers as they began to go out on the road to work in a 100-degree heat, we saw the dedication and commitment they had for their jobs. While these are just a few examples of what I heard it definitely keeps things in perspective.

Without question, state employees continue to do more and more with less and less and continue to provide every citizen of the State of Alabama with quality needed services. What continues to amaze me is that state employees do this everyday with a smile on their faces.”

Have you ever wondered what a “Registered” David G. Bronner looks like? See page 3

A Reaction

By David G. Bronner

In previous *Advisors*, I attempted to explain the most important issues facing the RSA. It began in July with our pension status, followed by health insurance concerns in August, and ended in September by putting the results together. I am either doing a poor job in explaining these important issues, or many of you are focusing on pieces of information and not the entire picture.

Page two has a summary of *The Birmingham News* article that appeared on September 9, 2007, regarding RSA's pension funding levels. While the story is factual, it is also slightly panicky, especially when you consider that the RSA was at a 25% funding level in the early 1970s.

As I told former Governor Fob James in the 1970s, “The pension program is sound, IF you would leave it alone!” Interpretation: No benefit increases including COLAs, unless they are funded with new state dollars, member dollars, or by lowering some existing benefits up front.

Funding health insurance is relatively new, but it is a big national problem. Five years ago, no state knew about or even considered this issue! Alabama's \$20 billion problem is real, as it is for states from New Jersey to Texas, which have \$50-\$100 billion problems. In comparison to pensions, funding for health insurance is closer to zero percent than the 25% the RSA had for pensions over three decades ago.

The problem must be solved with a combination of new member contributions, a new stream of tax dollars, and a realization that benefits will be adjusted.

A Repeat

The Alabama Supreme Court

By David G. Bronner

I personally believe the Alabama Supreme Court should be placed on a pedestal – beyond reproach. It must be “The Institution” that Alabama's citizens have total confidence in for fairness and justice. The Alabama Supreme Court must simply be above politics.

Alabamians understand that elections make good people do and say almost anything to become elected. It is for this reason that most states do not elect their appellate court judges and justices. Alabamians should not want their judges and justices to receive campaign funds; that practice only fosters the image of “politics” as usual. Maybe someday Alabama will correct that shortcoming, but perhaps not.

Remember the Exxon Valdez oil tanker spill in Alaska in 1989? Exxon is a pro at stalling, and has yet to pay one penny of that jury award. ExxonMobil (they merged in 1998) tried to take advantage of our state too and got caught. In November 2003, a Montgomery jury awarded the state of

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RSA's Pensions

Summary of *The Birmingham News* article by David White

Key measures of the financial health of the Retirement Systems of Alabama have reached their lowest levels in at least a decade and for the second year in a row have fallen below a benchmark for pension plans nationwide...As state government spends more and more taxpayer dollars to support pension plans for public employees and retirees, it has less money to hire teachers, provide health care to poor people, maintain prisons and provide other services....RSA officials blame stock market losses earlier this decade and pension increases that lawmakers gave retirees in recent years without giving RSA the money to pay for them....The funding level for the TRS was 88.8 percent in fiscal 1996. It has fallen annually since fiscal 2000, when it was 102.5 percent. The current funding at September 30, 2006, is 82.8 percent. The funding level for the ERS was 93.6 percent in 1996. It has fallen annually since the 1999 fiscal year, when it was 106.1 percent. The current funding at September 30, 2006, is 81.1 percent.... The RSA's pension plans aren't alone in the recent declines of their funding levels. NASRA (National Association of State Retirement Administrators) reports that nationwide the weighted average funding level for public pension plans has dropped steadily from fiscal 2001, when it was 101.3 percent, to last year's level of 85.8 percent....

The state paid \$293.5 million to RSA in the 2003 budget year to help cover the retirement costs of its public employees and retirees. The payment that year was a bit less than the payments made in 2000-2002, which averaged \$322.5 million a year. State payments to RSA quickly rose after 2003, reaching \$522.7 million in the 2006 fiscal year. Payments are expected to total \$664.6 million this fiscal year, which ends Sept. 30, and exceed \$809 million in fiscal 2008...A pension plan's funding level can drop not only when its assets lose value, but also when the estimated amount of future pension payments rises. Marc Reynolds, Deputy Director of the RSA, said funding levels have dropped for the

TRS and ERS for both reasons. Lawmakers approved 4 percent pension increases for both systems starting Oct. 1, 2005, which raised pension costs by an estimated \$35.1 million a year. They also approved 7 percent pension increases that started Oct. 1 last year and raised pension costs by an estimated \$62.6 million a year. Last year's increase alone raised RSA's long-term pension payment obligation by an estimated \$817.2 million.

Reynolds urged lawmakers and public employees' unions to resist for several years pushing for pension increases that aren't fully funded, to give the RSA's funding levels time to start heading back toward 100 percent, or fully funded status....Worst case, he said, the funding levels would keep falling, earnings from assets would provide smaller and smaller shares of pension payments each year, and money from the state would have to provide bigger and bigger shares. At some point, Reynolds cautioned, lawmakers might not be willing or able to pay the rising annual bill, which could spark a fiscal crisis, legal battle or adjustment of pension benefits. 'Then your whole ability to sustain your benefits program is in question,' he said. Reynolds added, however, that RSA is nowhere near that situation now and likely won't be if lawmakers lay off unfunded pension increases for a while and markets perform well....Paul Hubbert, executive secretary of the Alabama Education Association teachers' lobby, said he understands the need to see the Teachers' Retirement System funding level start rising. But Hubbert, who chairs the 14-member governing board of the TRS, said the more than 60,000 retirees covered by the plan don't want to see their pension benefits frozen for a long time...Hubbert declined to discuss options. But Reynolds said there weren't many. They include raising active employees' payroll deductions for pensions from the current 5 percent, adjusting pension benefits, or continuing to spend more and more taxpayers' money. 'There's no easy solution,' Reynolds said."

Congress Putting Long-Term Care Under Scrutiny

By Charles DuHigg, *New York Times*

A Congressional committee has begun looking into business practices in the long-term care insurance industry.

The House Committee on Energy and Commerce has asked Conseco and the Penn Treaty American Corporation, two of the nation's largest sellers of long-term care insurance, to produce documents showing how the companies market long-term care policies and handle policyholder claims....

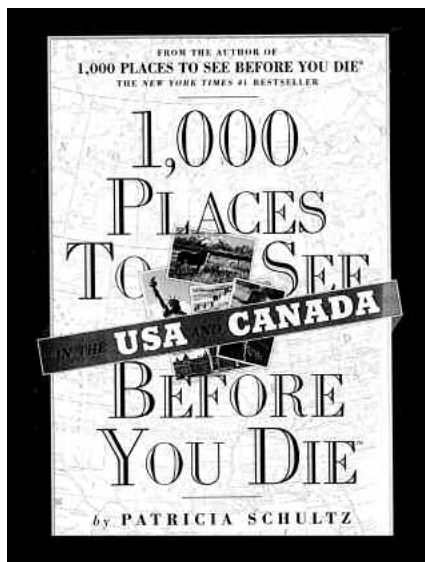
The Federal inquiries come at a delicate time for the long-term care industry. During the 1990s, long-term care insurance was one of the industry's fastest growing products. Companies like Conseco and Penn Treaty aggressively solicited clients who were not in the best health at rates far below that of their competitors to win more business, according to former agents. Today, industry-wide there are more than eight million long-term care policyholders.

In this decade, cracks in the business began appearing when policyholders in nursing homes started living longer than expected and the costs of treating people with Alzheimer's, Parkinson's and diabetes ballooned.

According to court documents, Conseco, Penn Treaty and other insurers developed policies that rejected policyholders' claims because they had failed to submit unimportant paperwork, filled out the wrong forms after receiving them from the insurance companies or because facilities had been deemed inappropriate even though they were licensed by state regulators. In California alone, nearly one in every four long-term care claims was denied in 2005, according to the state....

Advocates for the elderly, however, say the impact of lawmakers' interest may be wide-ranging and may influence a debate over whether insurance companies should be regulated by federal authorities or continue to be overseen by states...."

World-Class Golf in the Heart of Dixie



You may think golf when you think Alabama, but the state's Robert Trent Jones Golf Trail features more than 450 holes at ten different sites, in total 100 miles of golfing bliss. What began as a pragmatic plan to help boost Alabama tourism and beef up the state pension fund's bottom line now lures travelers from all over the globe to this idyllic corner of Dixie.

In the late 1980s, Dr. David G. Bronner, CEO of Retirement Systems of Alabama, came up with the idea to develop a golf course system that would attract retirees and visitors. Renowned golf architect Robert Trent Jones Sr. was tapped for the ambitious state-funded ef-

fort, in what would become the largest construction project of its kind in American history.

The trail, which opened in 1992, is diverse in topography and difficulty. In addition to honing your skills at the sport, playing the Robert Trent Jones Trail also lets you enjoy the state's natural beauty. You can tee off in the hazy Appalachian foothills of its northernmost reaches, play through the enchanting cypress-rich swamps of the south, and wind up beachside, by the crystalline coast of the Gulf of Mexico. The trail ends at the elegant Marriott Grand Hotel in Point Clear, where you can sneak in some seaside R&R . . .

ERS Board of Control Election Results

The ballots for the Employees' Retirement System Board of Control Runoff Election have been canvassed and the results certified by the Election Committee. Congratulations to Mr. Ben Powell who was elected to the Active Local Employee Position No. 2. There is a runoff between Alice Thornton and Rayford Mack for the Active State Employee Position No. 2.

TRS Board of Control Election Information

The ballots for the Teachers' Retirement System Board of Control Election will be mailed October 15, 2007, and must be returned to VR Election Services by November 21, 2007. The position up for election is the Retired Position No. 2. The candidates are incumbent Mrs. Sallie Cook, Ms. Irene McCombs, and Dr. Sandra Sims-deGraffenried. The Superintendent Position will be filled by Luther Hallmark, who was unopposed. Read the candidates' bios on the RSA Web site www.rsa.state.al.us beginning October 1. **Make your vote count!** Your participation will ensure a fiscally sound retirement system for the future.

Meet the "Registered" David G. Bronner

Vandiver, Alabama

The owner says, "He serves as my livestock guard dog... like the man that guards my pension."



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- For more information, see the Federal Trade Commission's Facts for Consumers at www.ftc.gov/bcp/online/pubs/credit/freereports.htm.
- Tip: To monitor your credit reports year round, get one report every four months.

Reduce Junk Mail

- Write to the Mail Preference Service. Send a \$1 check or money order. Include the name(s) and address of household members who do not want to receive junk mail. Tell them to put you on the opt-out list. Direct Marketing Association Mail Preference Service P.O. Box 643 - Carmel NY 10512
- Or opt-out online: www.dmaconsumers.org/cgi/offmailinglist. There is a \$1 fee, payable by credit card.
- Abacus compiles a cooperative database of catalog and publishing companies' customers. To opt-out of the Abacus database, write to: Abacus - P.O. Box 1478, Broomfield, CO 80038 Or email optout@abacus-us.com Include full name (including middle initial) and current address (and previous address if you have moved within the last 6 months).

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Alabama \$103 million in compensatory damages and \$11.8 billion in punitive damages. The case was appealed and the punitive damages were reduced to \$3.5 billion. ExxonMobil appealed the case again to the Alabama Supreme Court which sent the case to mediation. ExxonMobil walked out of the media-

tion and for two years the Alabama Supreme Court has done nothing! (Update: Oral Arguments were held on Feb. 6, 2007.)

It is past time for the Alabama Supreme Court to resolve this abuse of the people of Alabama. (Editor's Note: Originally printed October 2006)

ENJOY YOUR FALL
A Special Deal
FOR RSA MEMBERS

The Battle House, A Renaissance Hotel – Mobile

\$79 Oct. 1–4, 7–12, 20–31 • Nov. 1–13, 16–27, 29–30 • Dec. 4–10, 13–30

Riverview Plaza – Mobile

\$69 Oct. 1–4, 7–10, 17–18, 29–31 • Nov. 3–6, 15–29 • Dec. 8–10, 13–31

Marriott Grand – Point Clear

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Includes: Deluxe Room and One round of Golf for two people

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Renaissance Ross Bridge – Hoover

\$79 Oct. 10, 14–15, 18, 21–25, 28 • Nov. 4–6, 9–13, 15–30 • Dec. 1–7, 9–11, 14–31

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Dec. 1–5, 7–9, 12–31

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These rates are not applicable to groups or conventions.

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